



EFR CALL FOR ACTIONS BY THE INCOMING EUROPEAN COMMISSION AND EUROPEAN PARLIAMENT

2019 marks an important step in EU history with a change in the Commission following the European Parliament spring elections, several national elections, the United Kingdom most probably leaving the European Union and a world that is marked by geopolitical challenges and regulatory fragmentation. This paper outlines the key elements that EFR members deem crucial for the incoming Commission to take into account when shaping their agenda. EFR Members are supportive of the European Union and stand ready to cooperate with the incoming European Commission and Parliament to foster economic growth in Europe and to secure a sustainable, competitive and open European financial sector.

EFR Members believe that a fully integrated EU financial market, a single market with consistent rules and requirements, combined with a strong, stable and competitive European financial services industry will lead to increased choice and better value for all users of financial services across the member states of the European Union. An open and integrated market reflecting the diversity of banking and insurance business models will support investment and growth, expanding the overall soundness and competitiveness of the European economy.

In the priority areas of the EFR – the growth & investment agenda, the digital & cyber security agenda, the sustainable finance agenda and prudential regulation – the EFR Members have taken, together as EFR and individually with their institutions, the necessary actions for the financial sector to play its role in these priority areas and we will continue to do so.

EFR calls upon the incoming European Commission and the European Parliament to urgently address the following main issues¹

1. Focus on effective regulation and the avoidance of fragmentation

We call for a much-needed stock-taking review of the current legislative framework with the aim to result in better and more effective regulation. A sound financial regulatory and supervisory framework is key and regulation needs to concentrate on transparency and stability in financial markets, on ensuring a European as well as global level playing field and on supporting the European financial industry as a central player in the European economy. Important growth and funding potential will be unlocked if banks and insurers are able to channel capital efficiently from investors and savers to clients across Member States who will use it productively.

The European Commission needs to work on removing regulatory barriers among Member States of the Eurozone and encourage further financial market development and innovation, including the fulfilment of the half-finished Banking Union as long as it allows a true single euro-zone market for banks. Regulatory barriers across Europe as a whole should be removed to ensure that integrated financial services can facilitate and stimulate more economic integration. Equally, Europe must continue to play a leading role in international fora and rule-making bodies, where it should push for continued regulatory cooperation and cross-border coherence. A level playing field across regions of the world should be ensured to maintain the competitiveness of European banks and insurers.

2. Focus on achieving a robust competition in the digital economy

An appropriate regulatory and political framework must support industry's efforts and the innovative power of the EU. The financial services regulatory framework should be adapted to the new digital environment. Regulation should:

- promote fair competition;
- be technology neutral and apply the same rules to the same risks.

3. Focus on greater coordination to fight cyber crime

Harmonisation of regulations and minimisation of fragmentation in the EU should be prioritised. The sharing of cyber incident information should be enabled on the basis of a harmonised taxonomy.

¹ The EFR Calls for Action are substantiated in the EFR Report 2019.

The global nature of cyber crime requires a coordinated approach at international and European levels and that involves the public and the private sectors.

Cyber crime is a top tier global risk and it is key to assess the potential cyber security risk of each proposal before coming up with legislation/regulation.

4. Focus on achieving genuinely open European capital markets

A further integrated European capital market with harmonised standards and rules is urgently needed. Cross-border investments, mergers and other M&A activities need to be standardised. Corporation and insolvency laws need to be aligned and similarly applied. EU capital markets need to be attractive for international (financial) institutions to invest in the EU. The role of the Euro as a globally relevant currency needs to be fostered.

The current focus of the CMU plan and the Investment Agenda to attract mainly smaller private investors should move to also encompass more institutional investors. It is important to unleash long-term savings, for which there is a need to trigger changes in households' behaviour, which could be supported at Member State level as well as by financial education at European level. The prudential rules should be assessed to ensure that insurers and banks can play their role in the economy.

The development of European Secured Notes should be addressed as an example of an instrument that can play a role in providing a tool to mobilise SME exposures against central bank or interbank funding.

Review of the calibration of the new securitisation framework which will not deliver and the creation of European asset classes for infrastructure and high-quality mortgages for example would contribute to broadening and deepening the financing resources of the European economy.

5. Focus on establishing Sustainable Infrastructure Europe

EFR supports the EU's commitment to create a sustainable finance strategy and we encourage EU reform in key areas: a) supporting Green and Sustainable Finance; b) understanding, managing and mitigating the risks; and c) increasing transparency.

Sustainable Infrastructure Europe (SIE) - as recommended by HLEG² and supported by Action 3 of the European Commission's Action Plan on financing sustainable growth, which has the aim of "Fostering investment in sustainable projects" - should be established to address the lack of a pipeline for sustainable infrastructure projects and therefore address the shortage of sustainable investment opportunities for institutional investors in Europe. The purpose of SIE would be to provide a service that is not currently provided by existing bodies charged with promoting infrastructure investment, namely to 1) accommodate the needs of institutional investment, 2) focus activity on sharing expertise and best practice, and 3) increase awareness, understanding and investment in sustainable finance.

² High-Level Expert Group on Sustainable Finance.

The European Financial Services Round Table (EFR) was formed in 2001. The Members of EFR are Chairmen and Chief Executive Officers of international banks or insurers with headquarters in Europe. EFR Members believe that a fully integrated EU financial market, a Single Market with consistent rules and requirements, combined with a strong, stable and competitive European financial services industry will lead to increased choice and better value for all users of financial services across the Member States of the European Union. An open and integrated market reflecting the diversity of banking and insurance business models will support investment and growth, expanding the overall soundness and competitiveness of the European economy.



**European Financial Services
Round Table**